

**SOUTH CAROLINA
STATE ETHICS COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

September 12, 2019

Members of the Commission
South Carolina State Ethics Commission
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Ethics Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2018. The Commission's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the South Carolina State Ethics Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed-Upon Procedures - South Carolina State Ethics Commission (R52)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$30,000 and 10%.
2. Randomly select twenty cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account classification to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - Determine that receipts are recorded in the proper fiscal year.

Findings:

One of the twenty receipt transactions selected included a receipt that was not deposited in a timely manner. The receipt was deposited approximately one month after it was received.

Another receipt transaction selected for inspection included payment from the Public Employee Benefit Authority (PEBA) for a credit in accordance with Proviso 117.151. Our inspection of this transaction, along with comparisons performed in the Payroll section procedures below, revealed that the entire amount received was posted to the earmarked fund, rather than proportionally across funds, resulting in negative earmarked fund employer contribution expenditures at year end.

Management's Response:

The check was for a late filing penalty received with an appeal and was not deposited until the appeal was reviewed and a decision was made to deny the appeal. Receipting procedures for checks submitted with an appeal will be reviewed to ensure that deposits are made in accordance with Proviso 117.151.

The Assistant Director deposited the PEBA revenue into the agency's earmarked fund. Specific instructions did not come with the funds received to provide guidance for the deposit and coding of these funds.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$30,000 and 10%.
4. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Commission.
 - The transaction is properly classified in the general ledger.

Cash Disbursements/Non-Payroll Expenditures (Continued)

- Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
- Disbursement is recorded in the proper fiscal year.
- Clerical accuracy / confirm proper sales/use tax.

Finding:

Several account coding discrepancies were encountered in the inspection of disbursement transactions including improper coding of equipment items in relation to the State's capitalization thresholds.

Management's Response:

Items were entered into assets under an incorrect asset code. These items should have been entered as a low value asset.

Corrective action was in progress before the start of the agreed upon procedures engagement.

Payroll

5. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$30,000 and 10%.
6. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
7. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of variations greater than 10%.
8. Randomly select five employee payments and inspect supporting documentation during the fiscal year to:
 - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Commission.
 - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.
9. Inspect all employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
10. Inspect all employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures, other than the applicable finding reported in the Cash Receipts/Revenues section.

Transfers

11. Haphazardly select five transfers from the fiscal year to:
- Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Reporting Packages

12. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
13. In addition to the procedure above, perform the following:
- Operating Leases Reporting Package
Agree applicable effective dates and future minimum lease payments on the Future Minimum Lease Payment Schedule to the prior year Schedule.
 - Subsequent Events Questionnaire
Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger and/or Commission prepared records.

Findings:

One reporting package, the Subsequent Events Questionnaire, was submitted to the CG one day after its due date.

In addition, total future minimum lease payments reported on the Operating Leases Future Minimum Payment Schedule of the Operating Leases Reporting Package were understated by approximately \$50,000.

Management's Response:

The Subsequent Events Reporting Package was submitted a day late due to the preparer and the reviewer being out of the office unexpectedly. This was discussed with the CG's office by email, which has been provided to the auditor.

The Operating Leases Future Minimum Payment Schedule of the Operating Leases Reporting Package was inadvertently calculated incorrectly. Action will be taken to ensure this information is correctly reported in the future.

Governance, Risk and Compliance (GRC) SCEIS Module

14. Inspect the SCEIS GRC system to identify any new controls since the prior year inspection of this system. Confirm with management that any new controls identified are operating as designed.

We found no exceptions as a result of the procedures.

Capital Assets

15. Haphazardly select five capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.

Finding:

Similar to the finding reported in the Cash Disbursements/Non-Payroll Expenditures section, four of the five capital asset acquisitions inspected were capitalized at a value below the State's capitalization threshold.

Management's Response:

Items were entered into assets under an incorrect asset code. These items should have been entered as a low value asset.

Corrective action was in progress before the start of the agreed upon procedures engagement.

Appropriation Act

16. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
17. Confirm compliance with the Commission-specific state proviso by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Commission Minutes

18. Inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork to determine impact on our agreed upon procedures.

We found no other matters related to our agreed-upon procedures.